

Best Practices in Expense Management Automation (EMA)

A Covert Cost-Saving Opportunity

Abridged Report for Necho Systems Corp.
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Aberdeen Group, Inc.

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Preface

Aberdeen Group is a recognized leader in its research and analysis of Internet-based technologies that automate, streamline, and improve employee expense reimbursement, procurement, and supply chain management (SCM) processes. In its ongoing primary research efforts, Aberdeen has defined a *total cost management* (TCM) framework to help organizations identify, capture, and maintain the complete cost savings and operational efficiencies available in the supply chain.

Long overlooked as insignificant or as the inevitable cost of doing business, employee-initiated travel and entertainment (T&E) expenses do not immediately come to mind in the context of traditional supply chains. However, as these expenses represent up to 20% of indirect expenses — with even higher percentages at services firms, the fastest-growing sector of the economy — they should be considered part of a company's TCM effort.

As such, Aberdeen was one of the first market research firms to analyze Web-based expense management automation (EMA) solutions and to quantify the benefits and pitfalls of these technologies. Aberdeen's survey research has shown that EMA solutions can dramatically reduce the costs and process cycles associated with reimbursing employee-initiated expenses, such as airfare, overnight accommodation, and incidentals.

Employee expense reimbursement had eluded widespread Web-based automation due its low priority after e-commerce and revenue-generating information technology (IT) deployments in the Internet-boom age. However, the economic climate of the past few years has forced organizations to closely scrutinize expenses, and business travel has emerged as a large and virtually untapped area for process automation and cost savings at all organizations.

In its continued research of emerging supply chain automation technologies, Aberdeen has identified enterprises that have been the most successful in deploying EMA solutions to control costs, streamline processes, and enhance responsiveness, both internally and externally. This *Aberdeen Best Practices* report identifies enterprises that have demonstrated industry best practices in deploying EMA in a variety of industries.

The report documents the selection criteria, implementation strategies, and process redesign initiatives these enterprises used for successful EMA deployment, and it quantifies the benefits that have resulted from these technologies and initiatives. It also defines best practices for EMA that can be emulated by solution providers, consultants, and enterprises.

The targets of this report are the following business and IT executives:

- Chief financial officers (CFOs), accounts payable (A/P) managers, and A/P personnel who are responsible for managing and auditing their organizations' finances
- Chief operations officers (COOs) focused on controlling costs and optimizing their organizations' resources
- Chief information officers (CIOs) involved in selecting and implementing business process automation and electronic commerce (e-commerce) solutions
- Chief procurement officers (CPOs), procurement directors, and sourcing professionals who are responsible for building and managing their organizations' supply chains
- Chief executive officers (CEOs) charged with improving their companies' profits, responsiveness, and standing in the market
- Management consultants and systems integrators (SIs) tasked with identifying leading business process automation solutions
- Travel managers, within both organizations and agencies supporting the business traveler, who help set reimbursement policy, negotiate contracts, and monitor compliance
- Executives of travel agencies looking to identify new areas of value-added service for corporate clients
- Current and future EMA, SCM, and ERP (enterprise resource planning) solution providers looking for a road map for future products, as well as an analysis of competitors and potential partners

To assist readers, this Aberdeen research report includes three appendices: Appendix A offers a glossary of EMA-related acronyms and abbreviations; Appendix B provides a list of relevant Aberdeen research for further reading; and Appendix C lists contact information for Necho Systems Corp. whose EMA solution has been deployed by an enterprise that demonstrated best practices.

Chapter One:

Executive Summary

Identifying Best Practices in EMA

This report is intended to recognize those enterprises that have demonstrated industry best practices in deploying Internet-based employee-initiated expense reimbursement automation to streamline processes, enhance responsiveness, and control costs. The report examines the selection, implementation, and business process reengineering strategies these enterprises used to deploy EMA technologies in a variety of industries.

Additionally, the report is intended to help accounting, procurement, and travel professionals, as well as corporate executives, and business and IT managers identify best practices for selecting, deploying, and managing EMA technologies. Furthermore, it provides examples to help readers understand how the technology fits into a company's overall supply chain, fiscal, and infrastructure strategies.

Employee-initiated expenses make up a considerable portion of indirect expenses, up to 20% of these costs overall.

EMA is an Overlooked Opportunity

As the global economy stagnates, companies continue to focus on streamlining internal processes and cutting costs. After reducing headcount, organizations have devoted major attention to cutting indirect costs, which represent 30% to 60% of companies' total expenditure budgets.

Indirect expenditures represent a big opportunity for fiscal and operational improvement. Aberdeen research shows that company executives cite the ability to rein in spending as critical to competitiveness, especially in lean economic times.

Employee-initiated expenses on things such as T&E make up a considerable portion of indirect expenses, up to 20% of these costs overall. However, traditionally expense management has been time-consuming and labor intensive, taking up significant resources of front-line employees, managers, and accounting personnel.

As electronic procurement (e-procurement) and supply chain solutions have gained much attention for their proven ability to drive cost and process efficiencies in the control and management of purchasing indirect and direct goods, less attention has been paid to automating and optimizing employee-initiated expenses. However, Aberdeen research shows that EMA offers as much opportunity, if not more, as e-procurement in reining in costs.

Employee-initiated Expense Irony

Aberdeen research shows that many leading global companies with top-of-the-line systems in place to report the exact quantity, location, and price of the smallest component or commodity in their products' supply chain have not been able to tell how much their employees spent on hotels last year, where those hotels were, and how much they paid per night, without considerable time and effort. In most cases, they have had to rely on their travel agencies and even individual hotels to get this information, despite million-dollar travel budgets and 100% manual audit of all expense reports for policy compliance.

Similarly, companies have neglected their employees in supporting the T&E function. For example, a top sales executive can spend more than half an hour each week filling out a paper expense reimbursement form, taping receipts to pieces of paper, and sending the paper packet — via priority overnight delivery service, in many cases — to a manager and/or accounts payable for approval. If there are any problems with the report, this highly paid employee can engage in multiple rounds of phone tag to resolve the problem and will still have to wait more than, on average, two weeks to get reimbursed.

Furthermore, on the back-end, accounts payable personnel who dutifully identify out-of-policy expenses are faced with indifference from the managers of rogue employees when the accounts payable personnel alert them of policy infractions. Overall, manual expense reporting has proven an inefficient, frustrating process for all involved and an area ripe for automation.

Expense Reimbursement Circumvents Procurement

Aberdeen research has also shown that within many companies, employees use expense reimbursement as a loophole to get around purchasing department involvement, policies, or systems. Once companies put e-procurement catalog systems in place to channel business to preferred suppliers, the wily employee with a corporate credit card can try to pay for unauthorized items outside the office and request reimbursement.

As a result, companies must begin to take a look at their employee-initiated expenditures as a key part of the companies' total cost management efforts and relationships with the supply community. And, as the economy shows few significant indications of resurgence, companies must continue to scrutinize their variable costs to be responsive to the market as it recovers.

If It Ain't Broke, Don't Fix It

One of the main reasons why business T&E expenses have eluded early automation is that although manual paper-based procedures have been cumbersome and lengthy, they do get people reimbursed. Many companies have developed simple spreadsheet-driven worksheets to help speed things along somewhat, and, by and large, employees have had to deal with the process.

Business travel has been a unique domain within organizations. In the past, many firms arranged deals with their travel agencies to share in the commissions and overrides that airlines and the like paid to agencies based on the volume of business they did with a company. However, as airlines and other travel service providers rescinded these payments to agencies, business travel has become a cost center for companies with no additional resources to pay for them.

Consequently, companies have begun to look at their travel costs more systematically to identify areas for savings. The first step: collect the detailed information on these expenditures that had been locked away in file cabinets on separate pieces of paper.

The vendors of the earliest Web-based EMA solutions focused on the special needs of business travel and entertainment expense reporting, incorporating corporate card charge data feeds and building out fields to capture data required by the Internal Revenue Service and particular company policies. At the same time, however, they have focused on ease-of-use and making the most of employees' and managers' time.

EMA Extends Indirect Spend Savings

As with e-procurement solutions, EMA creates Web-based employee-facing applications that automate information capture, approval workflows, and collaboration among staff, managers, and accounts payable. Aberdeen's ongoing investigation of enterprises' experiences with Internet-based EMA technologies indicates that companies have been able to achieve significant cost and process benefits by automating their expense management activities.

Aberdeen research has shown that automating the reimbursement of T&E expenditures — e.g., airfare, hotel accommodations, car rentals, meals, and incidentals — can produce considerable quantifiable savings in both time and process costs. For example, companies using EMA solutions to address T&E expense reimbursement have shortened reimbursement cycles, reduced administrative costs, and enhanced responsiveness to employees.

More importantly, however, improved information capture and insight into T&E activities can actually lower the price of the goods

and services being purchased. For example, EMA solutions that addressed T&E expense have improved contract compliance and reduced prices paid for services, as companies gain detailed insight into these transactions. Specific examples include the following:

- Within a few short weeks of deploying expense management automation, one firm was able to identify that its employees used many different car services to get to the airport nearest its headquarters, and that they paid wildly different rates. The firm aggregated its total trip volume from the information gathered by the EMA system, negotiating preferred discount rates with a primary and secondary car service provider, with the assurance its people would only get reimbursed for using that vendor through the EMA's built-in business rules.
- Since deploying EMA, one company has been able to audit the prices its employees pay for hotels against the contract terms it has with a preferred supplier. In the past, it had to take the hotel chain's word for it.
- One company has seen its T&E budget drop 10% in one year since rolling out EMA, because employees are deterred from filing out-of-policy (or "maverick") expenses and managers are held accountable for authorizing off-policy expense claims.

Overall, companies deploying EMA have reported improved spend visibility, better supplier intelligence, and enhanced decision-making capabilities — very similar to the results published in the recent Aberdeen research report, *Best Practices in Online Services Procurement* (October 2002). These are the end-goals of all total cost management activities and should be used to assess successful EMA over time.

Identifying EMA Best Practices

In September 2002, Aberdeen began gathering information from EMA solution vendors on what the vendors believed to be their most successful customer implementations. Aberdeen approached more than 25 vendors for nominations, from pure-play EMA solution developers to major ERP firms.

None of the major traditional ERP companies provided customer nominations, which might indicate the lack of focus and respect for expense management automation implementations within these organizations. However, Aberdeen did see considerable activity in EMA at Ariba Inc., which resonates with the company's new focus on enterprise spend management (EMS) and the significant chunk of indirect expense that T&E represents.

In all, Aberdeen examined more than 20 EMA implementations, categorizing them into various industries, and conducted blind evaluations of these implementations based on multiple metrics. These metrics include employee usage, reimbursement volume, process efficiencies, cost savings, and additional qualitative benefits.

As a result of these evaluations, Aberdeen identified enterprises in a variety of industries that represented best practice deployments. This research report contains detailed case studies of nine best practice EMA deployments. Enterprises that displayed best practices in EMA are represented in Table 1.

One interesting point to note about the winners is that two companies, after sharing the details of their EMA implementations with Aberdeen, decided they did not want to publicly disclose their experiences, even in light of significant benefits. In the interest of research, Aberdeen has included these companies anonymously, as they help illustrate the elusive history and ongoing sensitive nature of these indirect expenses, and some of the candid and compelling reasons for all firms to understand and optimize these expenditures.

The research report also examines the common strategies that have resulted in the most successful EMA deployments. Finally, the report profiles the experiences and achievements of the enterprises that did not qualify as best practice winners, but still demonstrated significant success.

Table 1: Best Practices in EMA Winners

Industry	Winning Enterprise	EMA Solution Used
Financial services	KeyCorp	Ariba
Manufacturing – heavy	The Boeing Company	Gelco
Manufacturing – light	(Name withheld)	Necho
Product and services – professional	Xerox Corp.	IBM
Product and services – consumer	Bar-S Foods	Concur
Chemicals	Ciba Specialty Chemicals	Outtask
High technology	(Name withheld)	Gelco
Telecommunications	Bell Canada	Ariba
Science-based solutions	DuPont	Concur

Source: Aberdeen Group, January 2003

Chapter Two:

Summary of Findings

As companies eye the bottom line and maintain their focus on reducing costs and improving efficiencies, EMA has followed in the footsteps of the growth of automated procurement technologies in the last two years.

By targeting the untapped, yet significant, chunk of indirect spend that employee-initiated expenses represent, leading EMA solution providers have for the most part bucked the technology slump by continuing to land accounts with companies that are feeling the considerable strain of managing employee-initiated expenses. And, as employee-initiated expense reimbursement is a business process that can affect almost every employee, companies have seen an upside in increasing users in their early accounts to help fuel their growth in the down IT spending environment overall.

The enterprises using EMA, in turn, are reaping significant rewards for pursuing automation of employee-initiated expense reimbursement. They have also prepared themselves for when the market begins to grow again, as they can do more with fewer A/P employees.

Ten Keys to EMA Success

As Aberdeen conducted interviews for this research effort, a number of key findings surfaced. The most compelling is that employee-initiated expenses is a very sensitive area — for both employees and management.

As previously discussed, companies that have prided themselves on pushing the envelope in business process automation and supply chain efficiencies have neglected employee expenses in many cases. And, in this post-Enron world, many are loathe to discuss their processes and performance — even after successful automation.

Because of the considerable expense involved in employee travel reimbursement processing and the continued pressure on travel budgets however, EMA is a maturing niche producing significant results. Despite some predictions that expense management processes can simply be addressed by financial or ERP system modules, many best practice companies found their financial and ERP suite providers did not focus on the particular ease-of-use needs of T&E reimbursement, and needed to turn to pure-play providers.

The companies Aberdeen talked to proved that dedicated pure-play solutions are solving vital business issues and that the companies deploying them are gaining significant and rapid business value — value unattainable before the advent of Internet technologies.

Nevertheless, companies have to overcome technical, process, and cultural hurdles to gain the full value of enterprise software deployments. EMA is even more challenging than most business applications because it involves accounting for employees' personal time and money.

Echoing many of the findings in Aberdeen's *Best Practices in E-procurement* reports, Aberdeen's research found that the most successful EMA deployments had the following ten common characteristics:

1. *Communication is critical.* Although it may seem like a simple process to replace, manual T&E reimbursement can be so widespread and accepted within a company that companies need to engage in major change management efforts to get people to adjust. A good start is to articulate to employees how an EMA offering is going to make their work lives better, (e.g., they will get paid faster). Many best practices winners conducted internal marketing campaigns of initial successes to make their employees aware of the changes and benefits. As one deployment manager noted, "You can never do enough."
2. *Assemble internal resources.* Before kicking off an EMA initiative, a company should determine how expense management automation will affect employees and who will be responsible for its maintenance. Because many of the solutions are hosted offerings, IT may have little influence over the application, and A/P personnel will be the day-to-day contacts. Ensure the front-line responders have the skill sets needed to support the application and employees' response to problems with it.
3. *Get management onboard.* Getting top executives to tout the system may be difficult because some never had to worry about filling out expense reports themselves — they have assistants to do it for them. But gaining executive support — especially having them lead by example — is key to getting all rank-and-file employees to accept the new solution.
4. *Provide appropriate training.* Web-based EMA solutions are designed to be user-friendly, but not all employees are comfortable with the Internet. Because EMA is one application that can potentially affect all employees, some will have longer learning curves as they get used to working online, in addition to familiarizing themselves with a new software application. A number of best practice winners suggested providing a variety of training options, from traditional classroom training, to online tutorials and conference calls.
5. *Ensure infrastructure access.* Though some EMA solutions offer offline clients to facilitate data entry without an Internet or

network connection, by their nature, these solutions require network connections to complete the submission cycle. Work with your IT department to identify the minimum access requirements, especially for those “road warrior” employees that are always remote.

6. *Stop cutting checks.* Similar to e-procurement best practice findings, shutting the back door to other reimbursement options ensures much of the compliance, back-office process savings, and information value. This works particularly well for expense reimbursement, as denying employees a way to circumvent the system and still get paid ensures full adoption.
7. *You get what you pay for.* Just as ERP vendors aggressively went after providing e-procurement capabilities as the area became hot, historically they have not focused on developing the latest functionality in EMA and often have just thrown a module in with suite deals for a nominal charge. Today, Aberdeen research shows that the ERPs are fixated on helping users get the most out of their existing financial and supply chain modules, which has increased attention on EMA, but their lack of focus has shown at the functionality level in the past.
8. *Be prepared to address maverick expenses.* Many companies were aware that they had maverick T&E expenses, but without detailed information on trips and business travel compliance, they could not prove it. With the information capture and reporting capabilities of EMA, however, A/P managers now have the data to go to managers or senior executives to illustrate their point. These managers and executives, in turn, have to help change their people’s behavior moving forward.
9. *Plan for change management challenges.* As EMA encroaches on employees’ personal time and money, EMA project teams need to assist employees in adopting the new procedures and systems at first, but then have to work on encouraging people to follow policies that may have been overlooked in the past. This can take time as company culture adjusts.
10. *Information is only the beginning.* As previously mentioned, companies had no comprehensive way to determine what exactly they were spending on T&E, with whom, and how; however, once a company has detailed insight into its T&E expenses, it needs to act on that information. That puts companies in a position to make more strategic and critical decisions (e.g., should they strategically source certain travel categories, like car services?), as well as opens up the neglected travel area to much more activity where few resources may be available to focus on optimization. However, the biggest benefit that best practice

companies report is the information they now have at their fingertips on T&E spend, and this must be used to ensure optimum success.

Other Key Findings and Observations

For the purposes of this Best Practices report, Aberdeen identified nine enterprises that reflect best practices in deploying EMA. However, nearly all of the enterprises Aberdeen examined had developed strategies, achieved results, or learned lessons that are important to share. Some key findings, results, and lessons learned are included in the following sections.

EMA Runner-Up Results

A global technology developer was manually processing more than 7,000 expense reports per month before opting for an expense management automation solution. Since deploying EMA, the developer has been able to eliminate three FTEs (full-time employees) in accounts payable, as more than 99% of its reports from 11,000 travelers are now collected and routed online. In addition, the company has been able to better enforce T&E policies, and managers can run reports on how T&E is being spent per group and cost center. Finally, employee morale is up as they face easier data entry, fewer errors requiring re-submittal, and faster payments.

A leading brand-name food products producer replaced an inefficient and error-prone manual process with a hosted EMA solution, which eliminated any major up-front IT investment. Employees now spend half as much time creating and submitting reports but, more importantly, the finance department has been relieved of answering queries about where a claim is in the disbursement process. The company has also used the intelligence it has gathered in the system to support vendor negotiations for volume discounts, resulting in a 3% decrease in total travel costs since implementation.

A global financial services firm facing 400,000 expense reports per year eliminated its paper-based processes through a shared-service model enabled by an EMA solution. During the first eight months of deployment, it reached 80% of expense volume, representing 28,000 employees filing 162,000 reports. Using EMA, it has been able to save 40% off every expense transaction over the manual environment process costs.

A heavy manufacturer with more than \$8 million in expenses initiated by more than 500 eligible travelers had two FTE processing reports monthly. Primarily preparing reports and calculating reimbursements, the A/P staff had limited time for actual expense analysis and policy-compliance audit. On average it took 14 days to process each report, with checks sent by mail twice monthly. To-

day, through the use of an automated tool, the expense report process has been transformed from an auditing headache to a key business intelligence tool to analyze and control corporate expenditures. The company has also eliminated manager approval on reports using the business rules within the tool to assess compliance.

A 3,000-employee oil and gas industry firm replaced an error-prone spreadsheet print-out expense reporting procedure with a hosted solution that cut the company's cost per expense report from \$20 to \$6. Since deployment, it has been able to eliminate FTEs in A/P, where remaining employees now focus on more strategic projects. Moving forward, the company plans to analyze archived expense data in the system to evaluate discrete spending categories for strategic sourcing opportunities.

A large public agency that relied on a number of different inefficient and costly procedures to manage expenses consolidated and standardized reimbursement through the deployment of an EMA system. Although the organization is still in the pilot stage, it has streamlined the formerly fragmented travel management process, improving the timeliness and accuracy of travel reimbursements. At the same time, it has reduced total time between credit card invoices and payment.

Lessons Learned

- *Start simple.* Companies should start with a target pilot group to get an idea of how to deploy their EMA application in terms of business rules, workflow, and expense categories. Initial reactions also help to gauge how much change management is expected and how much training should be provided. This is also helpful in determining what levels of training are necessary (see # 4 in the “Ten Keys to EMA Success” section).
- *No one wants to be flagged.* This lesson is a bit more cynical than in Aberdeen's *Best Practices in E-procurement* reports, in which research indicated that employees wanted to do the right thing in regards to purchasing authorized goods and services. With EMA, EMA project leaders noted that putting the business rules in place in an automated system creates a deterrent to making inappropriate expense claims. Not only can an expense be flagged as maverick before the employee submits the claim to a manager, the flagging also helps managers in the approval process because they are made aware of policy visually and cannot fall back on rubber-stamp behavior and claim ignorance.
- *Use Web-based tools to facilitate use of the system.* As discussed, companies deploying EMA need to support their user community appropriately in terms of training options. In many cases, because the applications are designed to be intuitive to

average Internet users, organizations can take advantage of online tutorials to provide training very cost effectively.

- *The sourcing job is never done.* Echoing the findings in #10 of the ‘Ten Keys to EMA Success’ section, many organizations found that putting the system in place was simply the first step in a new more strategic supply chain commitment. Once a company knows what it is buying and whom it is buying from, it can concentrate on the why: EMA solutions provide the tools to optimize contracts on an ongoing basis and should be leveraged to help employees make smart buying decisions at every opportunity moving forward.
- *Have patience.* As with any widespread business process change, there will be reticence and resistance at first. Many EMA deployment teams said they first heard groans from employees, but as soon as they got the hang of it, they would never go back to the manual process. Comments like “a fantastic piece of software” start coming in, instead of angry, where-is-my-reimbursement-check? queries.

Chapter Three:

Best Practices in EMA: A Case Study

The sensitivities surrounding employee-initiated expenditures and reimbursement automation have made constructing a best-in-class automated services procurement report a challenge. In today's post-Enron climate, many companies are loathe to admit they do not have optimum control over any expenses and/or to discuss particulars of expenditures in detail.

The companies that have shared their experiences, however, have helped to define what constitutes a best practices implementation. As with e-procurement, EMA is about enhancing collaboration, streamlining processes, controlling costs, and enhancing information exchange within and across organizational boundaries.

At the same time, though, every enterprise has different needs, capabilities, constraints, and organizational and supply chain structures. As a result, each company will deploy and use EMA differently.

In its search for best practices in enterprise business applications, Aberdeen examined the results of deployments of expense management automation in a variety of industries. Specifically, Aberdeen evaluated enterprises on the following:

- The number and/or overall percentage of applicable employees enabled on the EMA system
- The number and/or overall percentage of reports being processed by the EMA system
- The dollar value and/or percentage of overall category transactions channeled through the system
- The time and cost savings achieved

To balance the playing field, Aberdeen examined these factors in relation to the overall size and spend of individual enterprises.

Aberdeen selected enterprises that demonstrate best practices in EMA in a number of industries. Though not every category had multiple entrants, Aberdeen profiled successful companies in particular areas to help firms in similar markets understand particular challenges and rewards.

As mentioned previously, two companies declined to be referred to by name after sharing the details of the implementations and successes with Aberdeen. We have included these profiles anony-

mously, in the interest of research, as we believe letting other enterprises know that they have not been alone in having tenuous T&E processes is valuable.

In the remainder of this chapter, Aberdeen profiles the best practice EMA strategies of a customer of Necho Systems Corp. For a complete copy of the Best Practices in Expense Management Automation (EMA), visit

www.aberdeen.com/ab_company/hottopics/emabp/default.htm

Manufacturing Company Reaches Rapid ROI with Expense Management Automation

Executive Summary

As with many manufacturers, this company is a large international firm with operations in more than a dozen countries worldwide. As a result, it has thousands of employees traveling to keep business running smoothly, incurring expenses averaging \$30,000+ per week.

The company's expense report process, however, had not been running as smoothly. Differing procedures and processes meant that it did not have

complete control over policy compliance, and reimbursements were a long and tedious process.

It turned to Toronto-based Necho Systems Corp. to help automate its expense reporting with a new centralized and consistent Web-based system. Time savings were an immediate result, but the biggest benefit was the policy compliance control and accountability that followed, which translated into 10% savings in overall travel expenses in the first year of installation.

Business Challenge

In the past, the company had three different employee-initiated expense environments for its more than 2,600 salaried employees that are eligible to file expense reports. The majority of employees submitted claims into the company's ERP application from SAP AG. In two other divisions, approximately 1,000 employees used paper forms or electronic spreadsheets that were mailed-in for reimbursement.

EMA Best Practices

Company Name

Name Withheld

EMA Solution Provider

Necho Systems Corp.

Process Time Savings

Approximately 80% time savings in creating expense reports for reimbursement

Process Cost Savings

Yes, but not benchmarked

Overall Expense Cost Savings

10% savings in overall T&E spend

Additional Savings/Benefits

Improved policy compliance; maverick expense accountability

There were no synergies between these approaches; the policies and requirements for approval were different. In fact, the SAP implementation did not require approval of an expense report at all — claims were simply paid twice a month. The paper approach required approvals, but the payment of claims took about a month.

With employees filing claims worth more than \$1.5 million annually on average, the company wanted to improve the management of its expenses through comprehensive expense reimbursement approval requirements and policy adherence controls.

Selection Criteria

It began investigating automated expense management solutions in 2001, establishing a range of specific requirements, including end-user ease of use, back-office data management, and technical infrastructure. The company wanted a Web-based solution with automatic workflow and approval processes that could accept corporate credit card purchase feeds, as well as disbursement of payments to different accounts. Other necessary features included payment notifications, reporting and data security, and an offline client for mobile users who were not connected to the Internet all the time.

After a comprehensive formal review of half a dozen providers, the company made a short list of three vendors for demonstrations, and then tested two applications. It chose the NavigatER solution from Necho because it felt NavigatER met the company's requirements with more functionality than the competition.

Deployment

The company began implementing Necho NavigatER with a feasibility testing period in October 2001. A pilot group of 60 users went live in January 2002. The company started production roll-out in February 2002, using a phased approach instead of a “big bang,” companywide mandate.

The Results

The company did not conduct a formal process-time and cost-benchmark exercise, so it doesn't have clear cut process savings to cite. However, anecdotally, improvements have been significant.

The deployment team cited better control and policy guideline adherence now that employees are more aware of what they can and cannot spend. Having a companywide approval process in place has made managers just as responsible and liable for maverick expenses as the employees who submit claims, which has also improved compliance.

Most impressive is that these improvements have resulted in an overall decline in T&E spend of 10% from 2001 to 2002.

Lessons Learned

The company did experience some difficulties in rolling out the automated solution, which the systems manager attributes partially to remote network access issues among some users, such as field sales representatives. Internet accessibility among the user base is something to consider when deploying a system.

The company has also undergone a huge cultural shift in moving away from the SAP system and paper forms. Originally, it thought it could roll out the application all at once because the interface was simple enough, but the implementation group soon found that employees had too many questions when they started to use it.

The company did develop a five-minute online tutorial to help new users, but, in hindsight, the deployment manager would have spent the money earmarked for end-user training that he originally thought the user base didn't need. He recommends at least offering a classroom training setting to employees that want it, especially novice computer users who may have more difficulty with the learning curve.

Future Outlook

In the future, the company plans to offer NavigatER to its approximate 1,000 users in Europe. The systems manager noted the internationalization features of the NavigatER application, such as the foreign currency exchange tool, are very easy to use and should help in this expansion process.

Conclusions

Aberdeen found an excellent example of a company that uses technology as a tool to institute and enable better business processes. By rolling-out an automated expense management solution, it eliminated inefficient manual steps, as well as take advantage of policy compliance controls and approval mechanisms not available in its existing ERP system. Since deploying the Necho solution in the last year, the company has recouped approximately \$150,000 in hard dollar T&E spend — reflecting a relatively rapid return on investment for an enterprise business application and a best practice case study overall.

Author Profile

Christa Degnan, Senior Analyst

Christa Degnan researches the indirect expenditures and purchase processing requirements of businesses, government agencies, and educational institutions and analyzes how these organizations can optimize their operational dollars via Internet technologies. Indirect expenditures are goods such as office supplies; maintenance, repair, and operations (MRO) materials; and information technology (IT) systems; as well as services such as systems integration; travel and entertainment (T&E); marketing; printing; and contract labor.

Degnan conducts extensive research into the functionality and end-user experiences of e-procurement and expense management automation (EMA) systems, using this analysis to help software vendors and service providers develop and position their offerings to best meet organizations' business needs. Advising clients on subjects ranging from competitive landscapes to business development strategy, Degnan helps vendors with target opportunity identification, market positioning, audience education initiatives, and custom consulting and research services.

In 2000, Degnan began studying early efforts to automate employee-initiated expense reimbursement through Web-based solutions, discussing the drivers of this emerging market in the Executive Viewpoint, *Expense Management Automation Offers Antidote to Down Economy*. She followed with an extensive end-user survey research project into the benefits of EMA, publishing the aggregate findings in *Expense Management Automation (EMA) in Action: Value Affirmed* in July 2002.

Last year, Degnan co-authored *Best Practices in Online Services Procurement (OSP)*, an Aberdeen case study report that identified top examples of the most compelling deployments of indirect e-procurement for complex business services, like travel. This followed a similar *Market Viewpoint, Thinking Outside the Catalog: Online Services Procurement* (October 2001).

Degnan has a decade of experience in the technology industry, including reporting beats on Internet business applications at *PC Week* (now *eWeek*) and a New England regional technology paper, *Mass High Tech*. Before joining Aberdeen, she was the managing editor of *Computer.com*, where she was part of the team responsible for architecting and implementing the content/commerce/community Web site. Degnan holds a B.A. from Barnard College, Columbia University, incorporating studies at University College, University of London. She also earned an M.A. from the University of Massachusetts, Boston.

Appendix A:

Lexicon of Acronyms and Abbreviations

A/P	accounts payable
API	application programming interface
ASP	application service provider
CEO	chief executive officer
CFO	chief financial officer
CIO	chief information officer
COO	chief operations officer
CPO	chief procurement officer
ERP	enterprise resource planning
FTE	full-time employee
ISV	independent software vendor
IT	information technology
LRM	logistics resource management
MRO	maintenance, repair, and operations
OSP	online services procurement
P/L	profit/loss
RFI	request for information
RFP	request for proposal
RFQ	request for quote
ROI	return on investment
SCM	supply chain management
SI	system integrator
SME	small-to-medium enterprise
T&E	travel and entertainment
XML	eXtensible markup language

Appendix B:

Related Aberdeen Research

Aberdeen Group has produced several publications that provide complementary market research and strategic market information relating to EMA:

- *Expense Management Automation Offers Antidote to the Down Economy* (December 2001)
- *Total Cost Management: Your Next Procurement Strategy* (March 2002)
- *Expense Management Automation in Action: Value Affirmed* (July 2002)
- *Making E-sourcing Strategic: From Tactical Technology to Core Business Strategy* (September 2002)
- *Best Practices in Online Services Procurement (OSP)* (October 2002)

Information on these and any other Aberdeen publications can be found at www.aberdeen.com or by e-mail at info@aberdeen.com.

Appendix C:

Abridged Report Sponsor Contact Details

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